

Mountain States Legal Foundation

Financial Statements

December 31, 2024 and 2023

(With Independent Auditor's Report Thereon)



Independent Auditor's Report

Board of Directors Mountain States Legal Foundation

Opinion

We have audited the accompanying financial statements of Mountain States Legal Foundation, which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mountain States Legal Foundation as of December 31, 2024 and 2023, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mountain States Legal Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mountain States Legal Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

**Board of Directors
Mountain States Legal Foundation**

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mountain States Legal Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mountain States Legal Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Kundinger, Corder & Montoya, P.C.

June 6, 2025

Mountain States Legal Foundation
Statements of Financial Position
December 31, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	\$ 395,298	828,989
Restricted cash	100	100
Contributions receivable	89,370	–
Investments (note 3)	5,096,169	6,256,341
Prepaid expenses and other assets	370,679	41,481
Property and equipment, net (note 4)	1,067,961	1,118,406
Total assets	\$ 7,019,577	8,245,317
Liabilities and Net Assets		
Accounts payable	\$ 130,452	77,489
Accrued payroll and benefits	251,390	205,775
Line of credit (note 10)	–	500,000
Charitable gift annuities (note 5)	172,814	161,885
Total liabilities	554,656	945,149
Net assets		
Without donor restrictions	4,508,995	5,462,335
With donor restrictions (notes 6 and 7)	1,955,926	1,837,833
Total net assets	6,464,921	7,300,168
Commitments (notes 8 and 10)		
Total liabilities and net assets	\$ 7,019,577	8,245,317

See the accompanying notes to the financial statements.

Mountain States Legal Foundation
Statement of Activities
Year Ended December 31, 2024

	Without donor restrictions	With donor restrictions	Total
Revenue and support			
Contributions	\$ 2,826,942	306,463	3,133,405
Other income	761,689	–	761,689
Net assets released from restrictions (note 6)	336,941	(336,941)	–
Total revenue and support	<u>3,925,572</u>	<u>(30,478)</u>	<u>3,895,094</u>
Expenses			
Program services			
Legal	2,764,428	–	2,764,428
Communication and education	974,251	–	974,251
Total program services	<u>3,738,679</u>	<u>–</u>	<u>3,738,679</u>
Supporting services			
Management and general	371,990	–	371,990
Fundraising	1,198,625	–	1,198,625
Total supporting services	<u>1,570,615</u>	<u>–</u>	<u>1,570,615</u>
Total expenses	<u>5,309,294</u>	<u>–</u>	<u>5,309,294</u>
Change in net assets from operations	(1,383,722)	(30,478)	(1,414,200)
Nonoperating activities			
Investment return, net (note 3)	430,382	148,571	578,953
Change in net assets	(953,340)	118,093	(835,247)
Net assets at beginning of year	<u>5,462,335</u>	<u>1,837,833</u>	<u>7,300,168</u>
Net assets at end of year	<u>\$ 4,508,995</u>	<u>1,955,926</u>	<u>6,464,921</u>

See the accompanying notes to the financial statements.

Mountain States Legal Foundation
Statement of Activities
Year Ended December 31, 2023

	Without donor restrictions	With donor restrictions	Total
Revenue and support			
Contributions	\$ 2,099,243	272,648	2,371,891
Special event income	9,428	–	9,428
In-kind contributions	3,995	–	3,995
Other income	15,518	–	15,518
Net assets released from restrictions (note 6)	317,799	(317,799)	–
Total revenue and support	<u>2,445,983</u>	<u>(45,151)</u>	<u>2,400,832</u>
Expenses			
Program services			
Legal	1,781,442	–	1,781,442
Communication and education	1,036,436	–	1,036,436
Total program services	<u>2,817,878</u>	<u>–</u>	<u>2,817,878</u>
Supporting services			
Management and general	428,640	–	428,640
Fundraising	1,043,880	–	1,043,880
Total supporting services	<u>1,472,520</u>	<u>–</u>	<u>1,472,520</u>
Total expenses	<u>4,290,398</u>	<u>–</u>	<u>4,290,398</u>
Change in net assets from operations	(1,844,415)	(45,151)	(1,889,566)
Nonoperating activities			
Investment return, net (note 3)	626,238	172,516	798,754
Change in net assets	(1,218,177)	127,365	(1,090,812)
Net assets at beginning of year	<u>6,680,512</u>	<u>1,710,468</u>	<u>8,390,980</u>
Net assets at end of year	<u>\$ 5,462,335</u>	<u>1,837,833</u>	<u>7,300,168</u>

See the accompanying notes to the financial statements.

Mountain States Legal Foundation
Statement of Functional Expenses
Year Ended December 31, 2024

	Program services			Supporting services			Total
	Communication and education	Total program services	Management and general	Fund- raising	Total supporting services		
	Legal						
Salaries	\$ 1,219,484	410,774	1,630,258	150,643	237,890	388,533	2,018,791
Payroll taxes and employee benefits	271,537	92,151	363,688	33,982	51,797	85,779	449,467
Professional and contract services	1,023,482	370,092	1,393,574	114,554	653,820	768,374	2,161,948
Supplies and office expense	61,747	19,604	81,351	4,932	57,681	62,613	143,964
Travel	65,143	17,362	82,505	44,912	106,933	151,845	234,350
Printing	5,434	24,406	29,840	618	67,651	68,269	98,109
Building expenses	38,682	13,112	51,794	4,964	7,517	12,481	64,275
Depreciation	37,960	12,867	50,827	4,872	7,377	12,249	63,076
Insurance	34,490	11,690	46,180	4,426	6,702	11,128	57,308
Interest	-	-	-	7,257	-	7,257	7,257
Telephone	6,469	2,193	8,662	830	1,257	2,087	10,749
Total expenses	<u>\$ 2,764,428</u>	<u>974,251</u>	<u>3,738,679</u>	<u>371,990</u>	<u>1,198,625</u>	<u>1,570,615</u>	<u>5,309,294</u>

See the accompanying notes to the financial statements.

Mountain States Legal Foundation
Statement of Functional Expenses
Year Ended December 31, 2023

	Program services			Supporting services			Total
	Communication and education	Total program services	Management and general	Fund- raising	Total supporting services		
	Legal						
Salaries	\$ 1,054,734	391,614	1,446,348	203,388	216,938	420,326	1,866,674
Payroll taxes and employee benefits	198,158	128,692	326,850	47,798	37,693	85,491	412,341
Professional and contract services	310,385	413,326	723,711	84,783	546,055	630,838	1,354,549
Supplies and office expense	43,000	15,584	58,584	7,049	65,412	72,461	131,045
Travel	35,979	16,203	52,182	58,780	84,894	143,674	195,856
Printing	3,771	20,833	24,604	727	65,048	65,775	90,379
Building expenses	32,565	12,068	44,633	6,280	6,695	12,975	57,608
Depreciation	43,058	15,957	59,015	8,304	8,851	17,155	76,170
Insurance	31,536	11,687	43,223	6,082	6,483	12,565	55,788
Interest	22,188	8,223	30,411	4,279	4,562	8,841	39,252
Telephone	6,068	2,249	8,317	1,170	1,249	2,419	10,736
Total expenses	<u>\$ 1,781,442</u>	<u>1,036,436</u>	<u>2,817,878</u>	<u>428,640</u>	<u>1,043,880</u>	<u>1,472,520</u>	<u>4,290,398</u>

See the accompanying notes to the financial statements.

Mountain States Legal Foundation
Statements of Cash Flows
December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Cash received from donors	\$ 3,805,724	2,407,776
Interest and dividends received	184,233	233,490
Cash paid to suppliers and employees	<u>(5,509,582)</u>	<u>(4,449,244)</u>
Net cash used in operating activities	<u>(1,519,625)</u>	<u>(1,807,978)</u>
Cash flows from investing activities		
Purchases of property and equipment	(12,631)	-
Net proceeds from sales and maturities of investments	<u>1,587,636</u>	<u>1,951,341</u>
Net cash provided by investing activities	<u>1,575,005</u>	<u>1,951,341</u>
Cash flows from financing activities		
Proceeds (payments) on annuity gift obligations	10,929	(1,600)
Proceeds from line of credit	-	600,000
Payments on line of credit	<u>(500,000)</u>	<u>(500,000)</u>
Net cash (used in) provided by financing activities	<u>(489,071)</u>	<u>98,400</u>
(Decrease) increase in cash, cash equivalents, and restricted cash	(433,691)	241,763
Cash, cash equivalents, and restricted cash at beginning of year	<u>829,089</u>	<u>587,326</u>
Cash, cash equivalents, and restricted cash at end of year	<u><u>\$ 395,398</u></u>	<u><u>829,089</u></u>
Reconciliation of cash, cash equivalents, and restricted cash at the end of year		
Cash and cash equivalents	\$ 395,298	828,989
Restricted cash	<u>100</u>	<u>100</u>
	<u><u>\$ 395,398</u></u>	<u><u>829,089</u></u>
Supplemental cash flow information		
Interest paid	<u><u>\$ 7,257</u></u>	<u><u>39,252</u></u>

See the accompanying notes to the financial statements.

Mountain States Legal Foundation
Notes to Financial Statements
December 31, 2024 and 2023

(1) Summary of Significant Accounting Policies

(a) Organization

Mountain States Legal Foundation (the “Foundation” or “MSLF”) was created to protect individual liberty, the right to own and use property, the principles of limited and ethical government, and the benefits of the free enterprise system. It litigates on behalf of those who cannot afford private counsel or whose goals align with the Foundation’s principle-driven mission to restore and protect the Constitution. The Foundation seeks victory for its clients at the highest level possible, including the Supreme Court of the United States and establishment of binding legal precedents that will benefit millions of Americans. The Foundation also engages in communication and education with the American public on the threats to their liberties presented by unrestricted government action. The Foundation is a nonprofit corporation and is supported primarily from contributions and return on investments.

(b) Basis of Accounting

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payables, and other liabilities.

(c) Financial Statement Presentation

The Foundation is required to present information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation’s management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

(d) Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributed to the Foundation’s ongoing activities and program services. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Mountain States Legal Foundation
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Cash, Cash Equivalents, and Restricted Cash

The Foundation considers all highly liquid investment and debt instruments with an initial maturity of three months or less, and that are not part of the long-term investment portfolio, to be cash equivalents. Amounts included in restricted cash represent those funds required to be maintained as Interest on Lawyer Trust Account (IOLTA) for the receipt, maintenance, and disbursement of client funds. The funds are reported as restricted cash and trust funds payable in the accompanying financial statements.

(f) Concentrations of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist primarily of cash and cash equivalents and investments. At times during the year, cash deposits may exceed the federally insured limit set by the Federal Deposit Insurance Corporation (FDIC). The Foundation reduces credit risk by placing its cash and cash equivalents with creditworthy, high quality financial institutions.

Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of the Foundation.

(g) Investments

The Foundation reports investments at fair value. Fair value is determined as more fully described in note 1(h). The Foundation's management is responsible for the fair value measurement of investments reported in the financial statements and believes that the reported values are reasonable. Investment return consists of the Foundation's distributive share of any interest, dividends, and capital gains and losses generated from investments. Investment gain or loss (including realized and unrealized gains and losses on investments) is included in the change in net assets in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

(h) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. generally accepted accounting principles establish a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Assets are grouped in three levels based on the markets in which the assets are traded, and the reliability of the assumptions used to determine fair value.

Mountain States Legal Foundation
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(h) Fair Value Measurements, Continued

These levels are:

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- Level 2 Inputs other than quoted market prices that are observable for the asset/liability, either directly or indirectly.
- Level 3 Unobservable inputs that cannot be corroborated by observable market data.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

In addition, certain investments are reported using the "practical expedient" method. The practical expedient method allows net asset value per share or its equivalent to represent fair value for reporting purposes when the criteria for using this method are met. Investments valued using net asset value per share or its equivalent are not categorized within the hierarchy.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument, as well as the effects of market, interest and credit risk. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgement used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in the Foundation's financial statements.

(i) Property and Equipment

Property and equipment are stated at cost or, if donated, at fair value at date of donation. The Foundation capitalizes property and equipment with a cost or fair value at the date of donation of \$2,500 or more. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, ranging from three to forty years. Additions to the library and maintenance and repairs are charged to expense as incurred.

(j) Charitable Gift Annuities

The Foundation has received contributions under gift annuity agreements that require it to pay amounts periodically to designated beneficiaries. Income is derived from resources the donors contribute under the gift annuity agreements. The present value of the actuarially determined liabilities for the future annuity payments is recorded at the date of the gifts. The excess of the amount of the annuity gifts over the liability for annuity payments is recorded as support in the year of the gifts. Annually, the liability accounts are reduced by payments made to the life beneficiaries and adjusted for changes in the actuarially computed present value of the remaining life of the annuitant.

Mountain States Legal Foundation
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(k) Revenue Recognition

Contributions are recognized when cash, securities, and unconditional promises to give are received. Conditional promises to give, that is, those with a measurable performance barrier and a right of return, are not recognized until the conditions on which they depend are substantially met. Payments received in advance of conditions being met are recorded as a refundable advance.

All donor restricted support, including pledges, is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a donor restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions.

Contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. At December 31, 2024, contributions receivable total \$89,370 and are expected to be collected within one year.

(l) Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statement of activities and in the statement of functional expenses. The Foundation incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Foundation also conducts a number of activities which benefit both program objectives as well as supporting services (i.e., management and general and fundraising activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as headcount, square-footage, or estimates of time and effort incurred by personnel.

(m) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(n) Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the Foundation qualifies for the charitable contribution deduction. Income from activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income subject to tax in 2024 or 2023.

Mountain States Legal Foundation
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(n) Income Tax Status, Continued

Management is required to evaluate tax positions taken by the Foundation and to recognize a tax liability if the Foundation has taken an uncertain position that probably would not be sustained upon examination by taxing authorities. The Foundation believes that it has appropriate support for any tax positions taken and that none would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The three previous tax years remain subject to examination by the IRS.

(o) Subsequent Events

Management has evaluated subsequent events through June 6, 2025, the date the financial statements were available to be issued.

(2) Liquidity and Availability of Financial Assets

The following represents the Foundation's financial assets available for general expenditures within one year as of December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash, cash equivalents and restricted cash	\$ 395,398	829,089
Investments	<u>5,096,169</u>	<u>6,256,341</u>
Total financial assets	5,491,567	7,085,430
Less amounts not available to be used within one year		
Endowment funds	(1,665,038)	(1,516,492)
Financial assets available to meet cash expenditures over the next twelve months	\$ <u>3,826,529</u>	<u>5,568,938</u>

General expenditures include administrative, program, and fundraising expenses incurred in the conduct of the Foundation's ongoing activities. In the normal course of operations, the Foundation receives revenue from donors that are available to meet cash needs for general expenditures throughout the year. The Foundation structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Foundation also has access to a line of credit (see note 10). The Foundation's donor-restricted endowment funds totaling \$1,665,038 and \$1,516,492 at December 31, 2024 and 2023, respectively, are subject to an annual spending policy as described in note 7.

(3) Investments

Investments are stated at fair value and consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
Mutual fund invested in equities	\$ 1,554,866	429,451
Mutual fund invested in bonds	235,988	2,709,677
Equity exchange-traded products	2,370,908	2,619,089
Fixed income exchange-traded products	399,969	165,327
Cash equivalents	<u>534,438</u>	<u>332,797</u>
Total investments	\$ <u>5,096,169</u>	<u>6,256,341</u>

Mountain States Legal Foundation
Notes to Financial Statements, Continued

(3) Investments, Continued

MSLF's net investment return from all investment accounts consists of the following for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Net realized and unrealized gains	\$ 427,464	599,887
Interest and dividends	184,233	233,490
Less investment fees	<u>(32,744)</u>	<u>(34,623)</u>
Net investment return	\$ <u>578,953</u>	<u>798,754</u>

The following table summarizes MSLF's investments by the fair value hierarchy levels as of December 31, 2024:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 1,790,854	1,790,854	-	-
Exchange-traded funds	2,770,877	2,770,877	-	-
Cash equivalents	<u>534,438</u>	<u>534,438</u>	-	-
Total	\$ <u>5,096,169</u>	<u>5,096,169</u>	<u>-</u>	<u>-</u>

The following table summarizes MSLF's investments by the fair value hierarchy levels as of December 31, 2023:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 3,139,127	3,139,127	-	-
Exchange-traded funds	2,784,417	2,784,417	-	-
Cash equivalents	<u>332,797</u>	<u>332,797</u>	-	-
Total	\$ <u>6,256,341</u>	<u>6,256,341</u>	<u>-</u>	<u>-</u>

(4) Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
Land	\$ 154,085	154,085
Building and improvements	1,559,742	1,559,742
Office furniture and equipment	<u>407,230</u>	<u>394,599</u>
	2,121,057	2,108,426
Less: accumulated depreciation	<u>(1,053,096)</u>	<u>(990,020)</u>
Property and equipment, net	\$ <u>1,067,961</u>	<u>1,118,406</u>

Mountain States Legal Foundation
Notes to Financial Statements, Continued

(5) Charitable Gift Annuities

Charitable gift annuities total \$172,814 and \$161,885 at December 31, 2024 and 2023, respectively. Two annuity gifts were received in December 2017 and totaled \$292,197. At the date of the gift, the present value of the actuarially determined liability for the future annuity payments was \$154,668, which was derived using an annuity rate of 6.7% and a discount rate of 2.4%. A contribution of \$137,529 was also recorded at the date of the gift as the difference between the fair value of the gift and the actuarially determined liability. The charitable gift annuity agreements provide for annual installments of \$19,577 to be paid to the beneficiaries over their lifetime beginning in 2025. Annuity obligations are reviewed periodically by management and estimates may be subject to change in the near term.

(6) Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specific purposes		
Center to Keep and Bear Arms (CKBA)	\$ 283,643	306,422
Fellowship	7,245	14,944
Endowment funds subject to spending policy and appropriation (note 7)		
Gifts restricted in perpetuity	968,615	968,615
Subject to passage of time	<u>696,423</u>	<u>547,852</u>
Total endowment funds	<u>1,665,038</u>	<u>1,516,467</u>
Total net assets with donor restrictions	<u>\$ 1,955,926</u>	<u>1,837,833</u>

Net assets were released from donor restrictions for the following purposes during the years ended December 31:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specific purposes		
Center to Keep and Bear Arms (CKBA)	\$ 284,334	142,018
Equal Protection	1,100	181,589
Natural Resources	43,807	72,248
Fellowship	7,700	13,286
Asymmetric Event	-	11,645
Property Rights	<u>-</u>	<u>19,827</u>
Total net assets released from donor restrictions	<u>\$ 336,941</u>	<u>440,613</u>

(7) Endowment Funds

The Foundation's Endowment Fund was originally established in 1995, as amended and restated in 2000. Net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Mountain States Legal Foundation
Notes to Financial Statements, Continued

(7) Endowment Funds, Continued

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as donor-restricted endowment funds to be maintained in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment funds that are not retained in perpetuity are classified as net assets with donor restrictions, time-restricted, until those amounts are appropriated for expenditure by the Foundation’s Board in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purpose of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effects of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other Foundation resources
- (7) The investment policies of the Foundation

Following are the changes in the endowment net assets with donor restrictions for the years ended December 31, 2024 and 2023:

	<u>Time- restricted</u>	<u>Perpetual in nature</u>	<u>Total</u>
Endowment net assets at December 31, 2022	\$ 375,336	968,590	1,343,926
Investment return, net	172,516	–	172,516
Contributions	–	25	25
Endowment assets appropriated for expenditure	<u>–</u>	<u>–</u>	<u>–</u>
Endowment net assets at December 31, 2023	547,852	968,615	1,516,467
Investment return, net	148,571	–	148,571
Contributions	–	–	–
Endowment assets appropriated for expenditure	<u>–</u>	<u>–</u>	<u>–</u>
Endowment net assets at December 31, 2024	\$ <u>696,423</u>	<u>968,615</u>	<u>1,665,038</u>

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding, should it be needed, to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately of 7% annually. Actual returns in any given year may vary from this amount.

Mountain States Legal Foundation
Notes to Financial Statements, Continued

(7) Endowment Funds, Continued

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on the total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). To achieve its long-term return objectives within prudent risk constraints, the Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Although the Foundation has not expended any endowment assets since the inception of the endowment fund in 1995, endowment assets held are made available for expenditure through an appropriation each year in an amount equal to 5% of its endowment fund's average fair value. In establishing this spending policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow an average of 7% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

(8) Employee Retirement Plan

The employees of the Foundation participate in a 403(b) retirement plan that allows employees to contribute directly from their pay both through regular tax-deferred contributions and post-tax Roth contributions. Under the plan, the Foundation is allowed to contribute to each employee's account on a discretionary basis an indicated percentage of gross payroll which is then vested over five years. As of December 31, 2024 and 2023, the Foundation has accrued matching contributions to the plan totaling \$113,782 and \$79,553, respectively, which represents 7% of gross payroll for each employee who met the plan criteria. This is included in accrued liabilities in the statements of financial position as of year-end.

(9) Allocation of Joint Costs

During the years ended December 31, 2024 and 2023, the Foundation conducted social media campaign activities that included requests for contributions, as well as program components. The Foundation also engaged the services of an outside professional fundraising service firm. The cost of these activities were allocated to fundraising and to program expenses as follows:

	<u>2024</u>	<u>2023</u>
Program Services	\$ 295,465	283,369
Fundraising	<u>295,465</u>	<u>283,369</u>
Total	<u>\$ 590,930</u>	<u>556,738</u>

(10) Line of Credit

On July 18, 2022, the Foundation renewed its collateralized revolving line of credit with InBank in the amount of \$500,000. The line of credit expires July 14, 2025 and bears variable interest at Prime Rate as published in the Wall Street Journal Money Section plus 1%, but not less than 4%. Interest is due and payable monthly as it accrues. During 2024, the outstanding balance on the line of credit was paid in full and at December 31, 2024, there are no amounts owed on the line.